



April 8, 1958

Subject: Purchase Order 660

Gentlemen:

This is in reply to your letter of March 25, 1958 in which you suggested that it would be in the best interest of both parties if the contract hourly rates set forth were based on after the fact negotiation of overhead and G & A instead of negotiation of fixed rates as at present. This suggestion was prompted, of course, by our discussion concerning the rapidly changing burden rates. In my last letter to Joe dated March 7, 1958, in which I proposed the latest increase, I indicated that the current re-organization could have some effect on this situation. I also discussed this with Cy when he was here last week since one of his objectives in coming was a review of the rates which I have proposed. The re-organization which I mentioned was effective on March 24, 1958 and Cy and I came to the conclusion that the following would be the most appropriate procedure and I think you will find that he will concur with my request.

With my letter of March 7, 1958 I forwarded a revised Appendix VII revised when compared with my letter of January 22, 1958 only to the extent of the applicable time period. We have reviewed these rates once again and find them to be appropriate for the time period of December 30, 1957 through March 23, 1958. I would appreciate, therefore, your incorporating into Purchase Order 660, Appendix VII as forwarded with my letter of March 7, 1958 but with the termination date of March 2, 1958 shown thereon changed to read March 23, 1958. It is my understanding that Cy will concur with this request. I shall, as soon as possible, make a proposal to you for the next period beginning March 24, 1958.

You may recall that the reason for having two (2) sections to this rate schedule was the fact that most of the plant operating personnel were located in another Division. Following March 23, 1958 these people will be under the jurisdiction of our prime Division and only one (1) series of rates will be necessary. This also, I expect, will serve to reduce the burden rate to a lower value somewhat near that shown for our engineering rate on Appendix VII.

Yours very truly,

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NO CHANGE IN CLASS.

DECLASSIFIED

CLASS. CHANGED TO: TS *S C* 2011

NEXT REVIEW DATE:

AUTH: HR 70-2

DATE: REVIEWER: 010956

*OK per  
Audit report  
of 11 AP 58  
# 120*